

1 October 2012

### Accounting Requirements to Change in Russia

*Federal Law No. 402-FZ "On Accounting" will take effect January 1, affecting most Russian businesses.*

On 6 December 2011, Russia announced a new law that will change certain rules relating to accounting. The old law on accounting, which was adopted more than 15 years ago, contained a number of outdated requirements and did not meet the needs of the current business environment. Federal Law No. 402-FZ "On Accounting" (the New Law) will take effect on 1 January 2013, affecting most Russian businesses. The most significant changes are listed below.

#### General Director May Not Double As Chief Accountant

Russian companies typically have two positions: the general director (or chief executive officer) and the chief accountant. Under current law, one individual may perform both roles, but the New Law will prohibit this practice. Accordingly, Russian companies will need a second person to act as an accountant, or they will need to engage an outside expert (who may be an individual or a company) to perform this service.

Small- and medium-sized businesses are exempt from this rule and may continue to have one person perform both roles. To qualify as a small- or medium-sized business, a company must meet a number of requirements, including the following: (a) foreign ownership may not exceed 25%, and (b) ownership by other companies that are not themselves small- or medium-sized businesses may not exceed 25%. Unfortunately, due to these requirements, we expect that many of our clients may not qualify for the exemption.

#### Qualifications for Chief Accountants

The New Law imposes certain minimum qualifications for persons serving as chief accountants of open joint-stock companies, insurance companies, pension funds, management companies of mutual funds, and listed companies. The qualifications are as follows:

- A university degree
- At least three years of experience in accounting or auditing within the last five years or, where a person holds a degree other than in the accounting or audit fields, at least five years of such experience within the last seven years
- No past convictions for business-related crimes

These rules do not apply to chief accountants who are employed before 1 January 2013 but will apply to all new hires.

#### End of Quarterly Reports

Currently, Russian companies must submit quarterly accounting statements to the Federal Tax Service. The New Law and corresponding amendments to the Russian Tax Code will now require only annual accounting statements, which must be sent to both the Federal Tax Service and the Federal Statistics Service. It is expected that the requirements for the contents of the reports will also change; however, new reporting guidelines have not yet been approved.

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## Implications

All companies that do not qualify as small- or medium-sized businesses and that have their general directors performing the functions of the chief accountant will have to appoint a chief accountant (or another person responsible for book keeping) or engage an accounting service provider starting 1 January 2013.

## Contacts

If you have any questions or would like more information on the issues discussed in this LawFlash, please contact the following Morgan Lewis attorney:

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